



House of Representatives

General Assembly

File No. 492

February Session, 2002

Substitute House Bill No. 5295

House of Representatives, April 15, 2002

The Committee on Planning and Development reported through REP. DAVIS of the 50th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

**AN ACT CONCERNING TAX REBATES FOR LICENSEES
CONDUCTING JAI ALAI OR DOG RACING EVENTS AND
CONCERNING GAMES OF CHANCE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (m) of section 12-575 of the general statutes, as
2 amended by section 87 of public act 01-9 of the June special session, is
3 repealed and the following is substituted in lieu thereof (*Effective from*
4 *passage*):

5 (m) (1) The executive director shall pay each municipality in which
6 a horse race track is located, one-quarter of one per cent of the total
7 money wagered on horse racing events at such race track, except the
8 executive director shall pay each such municipality having a
9 population in excess of fifty thousand one per cent of the total money
10 wagered at such horse racing events in such municipality. The
11 executive director shall pay each municipality in which a jai alai
12 fronton or dog race track is located one-half of one per cent of the total

13 money wagered on jai alai games or dog racing events at such fronton
14 or dog race track, except the executive director shall pay each such
15 municipality having a population in excess of fifty thousand one per
16 cent of the total money wagered on jai alai games or dog racing events
17 at such fronton or dog race track located in such municipality. The
18 executive director shall pay each municipality in which an off-track
19 betting facility is located one and three-fifths per cent of the total
20 money wagered in such facility less amounts paid as refunds or for
21 cancellations. The executive director shall pay to both the city of New
22 Haven and the town of Windsor Locks an additional one-half of one
23 per cent of the total money wagered less any amount paid as a refund
24 or a cancellation in any facility equipped with screens for simulcasting
25 after October 1, 1997, located within a fifteen mile radius of facilities in
26 New Haven and Windsor Locks. Payment shall be made not less than
27 four times a year and not more than twelve times a year as determined
28 by the executive director, and shall be made from the tax imposed
29 pursuant to subsection (d) of this section for horse racing, subsection
30 (e) of this section for dog racing, subsection (f) of this section for jai alai
31 games and subsection (g) of this section for off-track betting. (2) If, for
32 any calendar year after the surrender of a license to conduct jai alai
33 events by any person or business organization pursuant to subsection
34 (c) of section 12-574c and prior to the opening of any dog race track by
35 such person or business organization, any other person or business
36 organization licensed to conduct jai alai events is authorized to
37 conduct a number of performances greater than the number
38 authorized for such licensee in the previous calendar year, the
39 executive director shall pay the municipality in which the jai alai
40 fronton for which such license was surrendered was located, rather
41 than the municipality in which the jai alai fronton conducting the
42 increased performances is located, one-half of one per cent of the total
43 money wagered on jai alai games for such increased performances at
44 the fronton which conducted the additional performances, except the
45 executive director shall pay each such municipality having a
46 population in excess of fifty thousand one per cent of the total money
47 wagered on jai alai games for such increased performances at such

48 fronton. (3) During any state fiscal year ending on or after June 30,
49 1993, the executive director shall pay each municipality in which a dog
50 race track was operating prior to July 5, 1991, one per cent of the total
51 money wagered on dog racing events at such dog race track. (4)
52 During the state fiscal year ending June 30, 2001, each municipality in
53 which a dog race track was operating prior to July 5, 1991, shall pay
54 the Northeast Connecticut Economic Alliance, Inc. two-tenths of one
55 per cent of the total money wagered on dog racing events at any dog
56 race track operating prior to July 5, 1991. [(5) In the event a licensee
57 incurs a loss from the operation of a pari-mutuel facility, as
58 determined by the executive director, the legislative body of the city or
59 town in which such facility is located may direct the executive director
60 to credit or rebate all or a part of the revenue otherwise due to the
61 municipality back to the facility. In no case shall such credit and such
62 reimbursement exceed the amount of the licensee's loss, and in no
63 fiscal year shall these provisions affect the total fees paid to the state by
64 the authorized operator of the off-track betting system on its off-track
65 betting activities.] (5) Notwithstanding the provisions of subsections
66 (e) to (h), inclusive, of this section, in the event a licensee conducting jai
67 alai or dog racing events incurs a financial loss from the operation of a
68 jai alai fronton or dog track, as determined by the executive director,
69 the legislative body of the city or town in which such facility is located
70 may direct the executive director to rebate to such licensee all or part
71 of the revenue otherwise due to the municipality from the taxes
72 imposed under subsections (e) to (g), inclusive, of this section. In no
73 case shall such rebate exceed the amount of the loss incurred from the
74 operation of such jai alai fronton or dog track, as determined by the
75 executive director.

76 Sec. 2. Subsections (c) to (e), inclusive, of section 7-169h of the
77 general statutes are repealed and the following is substituted in lieu
78 thereof (*Effective from passage*):

79 (c) (1) On and after October 1, 1987, the division may issue a permit
80 to sell sealed tickets to any organization or group specified in
81 subsection (d) of section 7-169 which holds a bingo permit issued in

82 accordance with the provisions of section 7-169. Such permit shall be
83 renewed annually.

84 (2) The division may issue a permit to sell sealed tickets to any
85 organization or group specified in subsection (d) of section 7-169
86 which holds a club permit or nonprofit club permit under the
87 provisions of chapter 545. Such permit shall be renewed annually.

88 (3) The division may issue a permit to sell sealed tickets to any
89 organization or group specified in section 7-172 which holds a permit
90 to operate a bazaar, issued in accordance with the provisions of
91 sections 7-170 to 7-186, inclusive.

92 [(4) The division may issue a permit to sell sealed tickets to any
93 charitable, civic, educational, fraternal, veterans' or religious
94 organization, volunteer fire department, grange or political party or
95 town committee thereof which holds a permit to operate games of
96 chance, issued in accordance with the provisions of sections 7-186a to
97 7-186p, inclusive.]

98 (d) Permittees shall purchase sealed tickets from the division at a
99 cost which is equal to ten per cent of their resale value.

100 (e) Notwithstanding the provisions of subsection (b) of section 53-
101 278b and subsection (d) of section 53-278c, sealed tickets may be sold,
102 offered for sale, displayed or open to public view only (1) during the
103 course of a bingo game conducted in accordance with the provisions of
104 section 7-169 and only at the location at which such bingo game is
105 conducted, (2) on the premises of any such organization or group
106 specified in subdivision (2) of subsection (c) of this section, or (3)
107 during the conduct of a bazaar under the provisions of sections 7-170
108 to 7-186, inclusive,], or (4) during the operation of games of chance
109 under the provisions of sections 7-186a to 7-186p, inclusive.] Permittees
110 may utilize a mechanical or electronic ticket dispensing machine
111 approved by the division to sell sealed tickets. Sealed tickets shall not
112 be sold to any person less than eighteen years of age. All proceeds
113 from the sale of tickets shall be used for a charitable purpose, as

114 defined in section 21a-190a.

115 Sec. 3. Section 53-278a of the general statutes is repealed and the
116 following is substituted in lieu thereof (*Effective from passage*):

117 As used in sections 53-278a to 53-278g, inclusive:

118 (1) "Gain" means the direct realization of winnings; "profit" means
119 any other realized or unrealized benefit, direct or indirect, including
120 without limitation benefits from proprietorship, management or
121 unequal advantage in a series of transactions;

122 (2) "Gambling" means risking any money, credit, deposit or other
123 thing of value for gain contingent in whole or in part upon lot, chance
124 or the operation of a gambling device, but does not include: Legal
125 contests of skill, speed, strength or endurance in which awards are
126 made only to entrants or the owners of entries; legal business
127 transactions which are valid under the law of contracts; activity legal
128 under the provisions of sections 7-169 to [7-186] 7-186, inclusive; any
129 lottery or contest conducted by or under the authority of any state of
130 the United States, Commonwealth of Puerto Rico or any possession or
131 territory of the United States; and other acts or transactions expressly
132 authorized by law on or after October 1, 1973;

133 (3) "Professional gambling" means accepting or offering to accept,
134 for profit, money, credits, deposits or other things of value risked in
135 gambling, or any claim thereon or interest therein. Without limiting
136 the generality of this definition, the following shall be included: Pool-
137 selling and bookmaking; maintaining slot machines, one-ball machines
138 or variants thereof, pinball machines, which award anything other
139 than an immediate and unrecorded right of replay, roulette wheels,
140 dice tables, or money or merchandise pushcards, punchboards, jars or
141 spindles, in any place accessible to the public; and except as provided
142 in sections 7-169 to [7-186] 7-186, inclusive, conducting lotteries, gift
143 enterprises, disposal or sale of property by lottery or hazard or policy
144 or numbers games, or selling chances therein; and the following shall
145 be presumed to be included: Conducting any banking game played

146 with cards, dice or counters, or accepting any fixed share of the stakes
147 therein;

148 (4) "Gambling device" means any device or mechanism by the
149 operation of which a right to money, credits, deposits or other things
150 of value may be created, as the result of the operation of an element of
151 chance; any device or mechanism which, when operated for a
152 consideration, does not return the same value or thing of value for the
153 same consideration upon each operation thereof; any device,
154 mechanism, furniture or fixture designed primarily for use in
155 connection with professional gambling; and any subassembly or
156 essential part designed or intended for use in connection with any
157 such device, mechanism, furniture, fixture, construction or installation,
158 provided an immediate and unrecorded right of replay mechanically
159 conferred on players of pinball machines and similar amusement
160 devices shall be presumed to be without value. "Gambling device"
161 does not include a crane game machine or device or a redemption
162 machine;

163 (5) "Gambling record" means any record, receipt, ticket, certificate,
164 token, slip or notation given, made, used or intended to be used in
165 connection with professional gambling;

166 (6) "Gambling information" means a communication with respect to
167 any wager made in the course of, and any information intended to be
168 used for, professional gambling. Information as to wagers, betting
169 odds or changes in betting odds shall be presumed to be intended for
170 use in professional gambling;

171 (7) "Gambling premise" means any building, room, enclosure,
172 vehicle, vessel or other place, whether open or enclosed, used or
173 intended to be used for professional gambling. Any place where a
174 gambling device is found shall be presumed to be intended to be used
175 for professional gambling, except a place wherein a bazaar or raffle for
176 which a permit has been issued under sections 7-170 to 7-186,
177 inclusive, or bingo for which a permit has been issued under section 7-
178 169 [or games of chance for which a permit has been issued under

179 sections 7-186a to 7-186l, inclusive,] is to be conducted;

180 (8) "Person" includes natural persons, partnerships, limited liability
181 companies and associations of persons, and corporations; and any
182 corporate officer, director or stockholder who authorizes, participates
183 in or knowingly accepts benefits from any violation of sections 53-278a
184 to 53-278g, inclusive, committed by his corporation;

185 (9) "Peace officer" means a municipal or state police officer or chief
186 inspector or inspector in the Division of Criminal Justice or state
187 marshal while exercising authority granted under any provision of the
188 general statutes or judicial marshal in the performance of the duties of
189 a judicial marshal;

190 (10) "Court" means the Superior Court;

191 (11) "Crane game machine or device" means a machine or device (A)
192 that is designed and manufactured only for bona fide amusement
193 purposes and involves at least some skill in its operation, (B) that
194 rewards a winning player exclusively with merchandise contained
195 within the machine or device and such merchandise is limited to
196 noncash prizes, toys or novelties each of which has a wholesale value
197 not exceeding ten dollars or ten times the cost of playing the machine
198 or device, whichever is less, (C) the player of which is able to control
199 the timing of the use of the claw or grasping device to attempt to pick
200 up or grasp a prize, toy or novelty, (D) the player of which is made
201 aware of any time restrictions that the machine or device imposes on
202 the player to maneuver the claw or grasping device into a position to
203 attempt to pick up or grasp a prize, toy or novelty, and (E) the claw or
204 grasping device of which is not of a size, design or shape that prohibits
205 the picking up or grasping of a prize, toy or novelty contained within
206 the machine or device;

207 (12) "Redemption machine" means an amusement device operated
208 by one or more players that involves a game the object of which is
209 throwing, rolling, bowling, shooting, placing or propelling a ball or
210 other object into, upon or against a hole or other target and that

211 rewards the player or players with tickets, tokens or other noncash
 212 representations of value redeemable for merchandise prizes, provided
 213 (A) the outcome of the game is predominantly determined by the skill
 214 of the player, (B) the award of tickets, tokens or other noncash
 215 representations of value is based solely on the player's achieving the
 216 object of the game or on the player's score, (C) only merchandise prizes
 217 are awarded, (D) the average wholesale value of the prizes awarded in
 218 lieu of tickets or tokens for a single play of the machine does not
 219 exceed ten dollars or ten times the cost of a single play of the machine,
 220 whichever is less, and (E) the redemption value of each ticket, token or
 221 other noncash representation of value that may be accumulated by a
 222 player or players to redeem prizes of greater value does not exceed the
 223 cost of a single play of the machine.

224 Sec. 4. Subsection (d) of section 53-278c of the general statutes is
 225 repealed and the following is substituted in lieu thereof (*Effective from*
 226 *passage*):

227 (d) Except as provided in subsection (e) of this section, any person
 228 who knowingly owns, manufactures, possesses, buys, sells, rents,
 229 leases, stores, repairs or transports any gambling device, or offers or
 230 solicits any interest therein, except in connection with a permit under
 231 sections 7-169 to [7-186] 7-186, inclusive, whether through an agent or
 232 employee or otherwise shall be guilty of a class A misdemeanor.
 233 Subsection (b) of this section shall have no application in the
 234 enforcement of this subsection.

235 Sec. 5. (*Effective from passage*) Sections 7-186a to 7-186q, inclusive, of
 236 the general statutes are repealed.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>
Sec. 3	<i>from passage</i>
Sec. 4	<i>from passage</i>
Sec. 5	<i>from passage</i>

PD *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Fund-Type	Agency Affected	FY 03 \$
GF - Revenue Loss	Spec. Revenue, Div. Of	Minimal

Note: GF=General Fund

Municipal Impact:

Effect	Municipalities	FY 03 \$
Revenue Loss	Various Municipalities	Minimal
Revenue Impact	Bridgeport, Plainfield	See Below

Explanation

Repeal Games of Chance Laws

The bill is anticipated to result in a minimal revenue loss (less than \$2,500 per year) to the state and municipalities from the loss of games of chance (Las Vegas nights) permit fees. The Division of Special Revenue and local police chiefs (first selectman in towns without police departments) issue approximately 100 games of chance permits per year at a fee of \$20.

The impact of this bill on future negotiations between the state and any federally recognized tribe seeking to negotiate a Class III gaming compact (including but not limited to casino gaming) under the Federal Indian Gaming Regulatory Act cannot be determined given numerous and complex legal questions.

Tax Rebates For Pari-mutuel Facilities

Under current, law municipalities hosting pari-mutuel facilities have the option of directing DSR to credit or rebate to the pari-mutuel all or a portion of the pari-mutuel tax and fee otherwise due to the

municipality, for years in which the direct of DSR determines that the pari-mutuel licensee has incurred a loss from the on-track betting activities at the facility. This bill expands the revenue base to include revenue and fees generated from off-track betting activities.

The expansion of the revenue base may result in a reduction in the amount of revenue lost by towns electing the credit or rebate option because off-track betting activities are generally more profitable than on-track activities and may partially offset or eliminate any losses from on-track operations.

The bill will only potentially affect the City of Bridgeport and the Town of Plainfield since they are the only two municipalities currently with pari-mutuel facilities. The City of Bridgeport received approximately \$636,000 in payments from betting activities in FY 01 and the Town of Plainfield received approximately \$395,000.

OLR Bill Analysis

sHB 5295

**AN ACT CONCERNING TAX REBATES FOR LICENSEES
CONDUCTING JAI ALAI OR DOG RACING EVENTS AND
CONCERNING GAMES OF CHANCE****SUMMARY:**

This bill makes games of chance (Las Vegas nights) illegal by repealing the law allowing certain organizations to operate such games as fund-raising events. Under current law, any charitable, civic, educational, fraternal, veterans' or religious organization; volunteer fire department; grange; political party; or town committee may promote and operate games of chance after obtaining a permit. The bill makes several conforming changes in related statutes.

The bill explicitly allows the Division of Special Revenue (DSR) to base any rebate of tax payments it makes to a pari-mutuel facility on all the facility's operations, including off-track betting (OTB). It also makes related changes.

EFFECTIVE DATE: Upon passage

SEALED TICKET PERMITS

The bill repeals DSR's authority to issue a permit to sell sealed tickets to any organization with a games of chance permit and removes games of chance from the list of events where sealed tickets can be sold. (Sealed tickets are cards with tabs that, when pulled, reveal images, symbols or numbers that entitle the holder to a prize if they match a designated winning combination.) The bill does not otherwise change the law regarding selling sealed tickets (or affect other allowed gambling such as raffles, bingo, various forms of pari-mutuel betting, and the state-sponsored lottery).

TAX REBATES FOR PARI-MUTUEL FACILITIES

By law, towns with pari-mutuel facilities (such as dog tracks and jai alai frontons) receive from .25% to 2.1% of the amounts wagered at the

facilities, depending on the type of facility, its location, and the town's population. Under current law, the town's legislative body can direct the Special Revenue Division's (DSR) executive director to credit or rebate all or part of the town's revenue from these tax payments to the pari-mutuel facility, if he determines that the facility's licensee incurred a loss from operating the facility. In practice, DSR applies the law to jai alai fronton and dog track licensees, and the reimbursement is based on taxes from on-track operations at the dog tracks and live games at the fronton. DSR does not apply the law to OTB operations at any of these facilities.

This bill explicitly allows the rebate to be based on all the facilities' operations, including OTB. It conforms the law to practice by limiting eligible facilities to jai alai and dog track facilities and licensees. Current law applies to all pari-mutuel licensees, including horse track licensees, although there are no horse tracks in the state. (The last fronton in the state closed in December 2001.)

Under current law, the rebate is based on the taxes paid by the facility that incurred the loss. Under the bill, it appears that the rebate is based on the taxes paid by all OTB, jai alai, and dog racing facilities in the municipality, not just the facility that incurred the loss.

The bill eliminates a provision that specifies that any rebate cannot affect the total fees paid to the state by the authorized OTB system operator (Autotote). The provision appears unnecessary since the rebate applies to municipal, and not state, revenue.

BACKGROUND

Games of Chance Permit Applications

An organization sponsoring games of chance must be formed in good faith and actively functioning as a nonprofit organization in Connecticut for at least two years. To hold such events, organizations must apply for a permit to the police chief or the first selectman (if the town has no police department) of the town where the event will be held. The application must include all required information about the sponsoring organization and the event, including how the entire net proceeds will be used. The use must be related to the organization's purpose.

Legislative History

The House referred the original bill (file 66) to the Planning and Development Committee on March 28. The committee added the Las Vegas nights and sealed ticket provisions and reported the bill on April 3.

COMMITTEE ACTION

Public Safety Committee

Joint Favorable Report

Yea 22 Nay 0

Planning and Development Committee

Joint Favorable Substitute

Yea 14 Nay 0